

S50B
Maryland African American Museum Corporation

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,450	\$2,000	\$2,000	\$0	
Adjusted General Fund	\$2,450	\$2,000	\$2,000	\$0	0.0%
Adjusted Grand Total	\$2,450	\$2,000	\$2,000	\$0	0.0%

- The fiscal 2014 allowance includes a fiscal 2013 deficiency of \$430,000 in general funds to address an operating deficit caused by lower than expected revenues by the museum.
- The allowance for fiscal 2014 is \$2 million in general funds, matching what was originally appropriated in fiscal 2013.

Note: Numbers may not sum to total due to rounding.

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Analysis of the FY 2014 Maryland Executive Budget, 2013

Analysis in Brief

Major Trends

New Strategic Plan Will Guide Museum Performance: The Maryland African American Museum Corporation (MAAMC) is undergoing a comprehensive review to enact a new strategic plan. The plan should identify goals and objectives for the organization.

Issues

Museum Continues to Struggle to Meet Match Requirement: Based on legislative intent, a memorandum of understanding between the museum and the Department of Budget and Management includes a provision that the museum will match the State grant with its own earnings. However, for the last several years, the museum has been unable to meet this requirement, primarily due to lower than expected attendance and fundraising. **The Department of Legislative Services (DLS) recommends that MAAMC comment on the trends in attendance and fundraising and on its expectations that its consultant will address those trends. Further, DLS recommends that language be added to the budget bill that withholds a portion of fiscal 2014 funds until the corporation submits a report to the budget committees on the results of the collaboration with the consultant.**

Recommended Actions

1. Add language restricting funds pending the submission of a report on organizational improvements.

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Operating Budget Analysis

Program Description

The Maryland African American Museum Corporation (MAAMC) was created by Chapters 428 and 429 of 1998 to plan, develop, and manage a Maryland Museum of African American History and Culture in Baltimore City. The museum opened in June 2005.

The museum's mission is to educate the public about the contributions and experiences of African American Marylanders; to provide research facilities for scholars, students, and others; and to provide public programming, educational opportunities, and community outreach. The corporation is a public instrumentality and an independent unit in the Executive Branch. A 37-member board of directors manages the corporation's affairs.

Performance Analysis: Managing for Results

1. New Strategic Plan Will Guide Museum Performance

MAAMC is not a State agency and thus does not participate in the State's Managing for Results program. However, under Article 41 §20-105(b)(1), the corporation is required to prepare an overall strategic plan that establishes both short- and long-term goals and objectives for the museum. MAAMC submitted a strategic plan prior to the 2002 legislative session to guide its activities for five years. The corporation's subsequent five-year plan was prepared in 2007. The goals, objectives, and strategies laid out in the plan address operations, effective marketing, and financial management. However, the plan expired in 2012.

At the direction of the executive committee of the museum's Board of Directors, the museum is currently collaborating with an outside consultant to improve its organization, performance, and management. The consultant has particular expertise in arts institutions and is expected to address specific improvement strategies. At the end of the collaboration period (January to June 2013), MAAMC will begin drafting a new strategic plan based upon recommendations and insights of the consultant.

Fiscal 2013 Actions

Proposed Deficiency

The fiscal 2014 allowance includes a fiscal 2013 deficiency of \$430,000 in general funds. The funds are to supplement a fundraising shortfall by the museum corporation. This will be discussed in the Issues section of this analysis.

Proposed Budget

State support for MAAMC is budgeted as a general fund grant. As shown in **Exhibit 1**, the Governor's fiscal 2014 allowance for the corporation is \$2 million. This matches the amount in the fiscal 2013 original appropriation. The amount of the grant is designed to provide State support for 50% of MAAMC's operating budget. However, as mentioned earlier, the museum has had difficulty in meeting its match requirement; therefore, the fiscal 2013 appropriation is supplemented with a general fund deficiency.

Exhibit 1
MAAMC Expenditures and Revenues
Fiscal 2010-2014
(\$ in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Appropriation</u> <u>2013</u>	<u>Allowance</u> <u>2014</u>	<u>Change</u> <u>2013-14</u>
Regular Salaries and Wages	\$1,832	\$1,865	\$1,582	\$2,224	\$2,166	-\$59
Contractual Employees	100	150	150	149	124	-25
Fuel and Utilities	350	363	291	381	302	-78
Contractual Services	1,263	1,185	939	1,053	1,197	144
Other Operating Costs	202	172	124	193	211	18
Total	\$3,748	\$3,735	\$3,086	\$4,000	\$4,000	\$0
 General Funds	 \$2,100	 \$2,000	 \$2,450	 \$2,000	 \$2,000	 \$0
 Privately Raised Revenue	 \$1,648	 \$1,735	 \$636	 \$2,000	 \$2,000	 \$0

MAAMC: Maryland African American Museum Corporation

Source: Governor's Budget Books, Fiscal 2010 to 2014

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The museum prepares its budget with the anticipation of meeting its required match and having a total of \$4 million to allocate across its expenses. However, as fundraising totals fall short, MAAMC is forced to reduce its expenses over the course of the fiscal year. This is evident when comparing fiscal 2012 actual expenditures with the original budget projected for fiscal 2013. Salaries and contractual services make up the largest components of each budget. If the museum could meet fundraising goals in fiscal 2013, it would be able to fill vacancies and expend 40% more in salaries. The museum advises that, out of 23 positions, it has several current vacancies in key positions such as the marketing director, a development manager, and the facilities manager.

Issues

1. Museum Continues to Struggle to Meet Match Requirements

Since its creation in 1998, MAAMC has received operating assistance in the form of general fund grants in varying amounts. In fiscal 2005, the legislature began adopting budget narrative that directed the Department of Budget and Management (DBM) and the museum corporation to enter into a memorandum of understanding (MOU) that includes matching fund requirements. As required by the MOUs for fiscal 2005 through 2007, the State grant accounted for 75% of the operating expenses of the museum. For fiscal 2008, the General Assembly added budget language that expressed intent that the general fund grant supports no more than 50% of the operating expenses. Since that time, MOUs have been executed each year and have reflected this intent.

In fiscal 2010, the museum corporation received \$2 million in general funds, and based on the terms of the MOU, was required to raise at least \$2 million of its own funds. However, the museum informed DBM that it was unable to meet the match requirement and requested an amendment to the fiscal 2010 MOU to waive the 50% matching requirement. The department subsequently approved the waiver. The same situation was repeated in fiscal 2011.

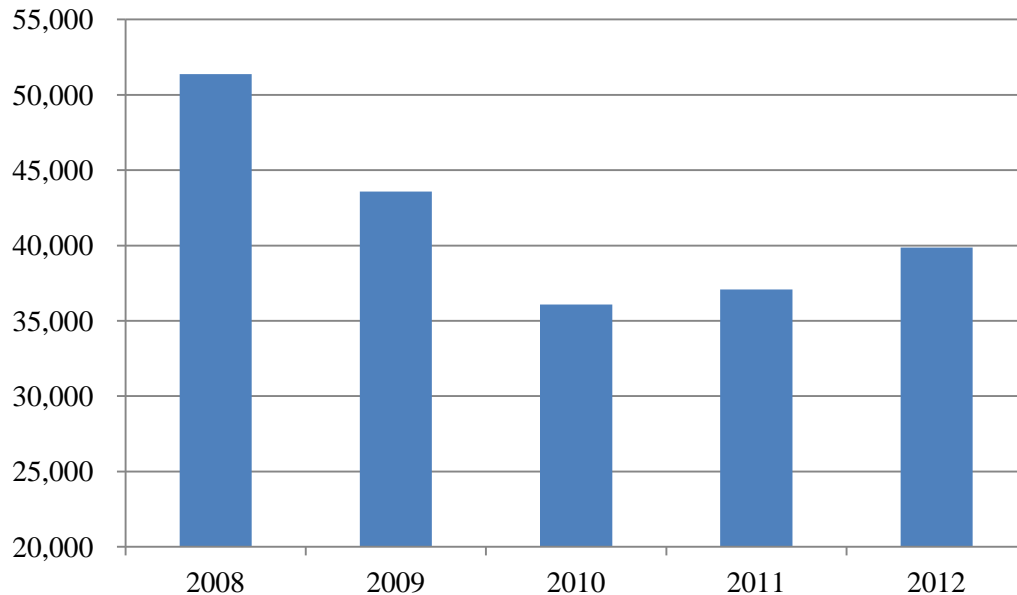
Fundraising fell dramatically in fiscal 2012. Revenue fell from \$1.7 million in fiscal 2011 to approximately \$636,000 in 2012, a 63% decline. A waiver from the match requirement was not sufficient to address the issue. Accordingly, the Administration included an additional \$450,000 in general funds in the supplement budget in the fiscal 2013 budget bill. The funds represented a deficiency for fiscal 2012. As mentioned above, the current allowance provides a fiscal 2013 deficiency for the corporation. The fundraising problems are expected to persist in the current fiscal year.

Declines in Visitors

Revenue from admissions represents the second largest source of revenue for the museum. Lower ticket sales have contributed to the museum's fundraising problems. Lower than expected attendance has been a concern for the museum since it opened in June 2005. Attendance figures include paying individuals, members, children under six, meeting space rentals, and scheduled school tours. Except for Title I schools, which have predominately low-income students, students pay a museum entrance fee of \$6. Admission fees for Title I schools and other community groups are covered by a multi-year grant from the Weinberg Foundation. The regular adult admission is set at \$8.

Exhibit 2 shows the level of attendance for the last five years. Fiscal 2010 marked an historic low for the museum. Since then, there has been marginal improvement in attendance figures. However, the number of guests in fiscal 2012 was still 22.4% less than it was in fiscal 2008, a recent high mark for the museum.

Exhibit 2
MAAMC Visitors
Fiscal 2008-2012



MAAMC: Maryland African American Museum Corporation

Source: Maryland African American Museum Corporation

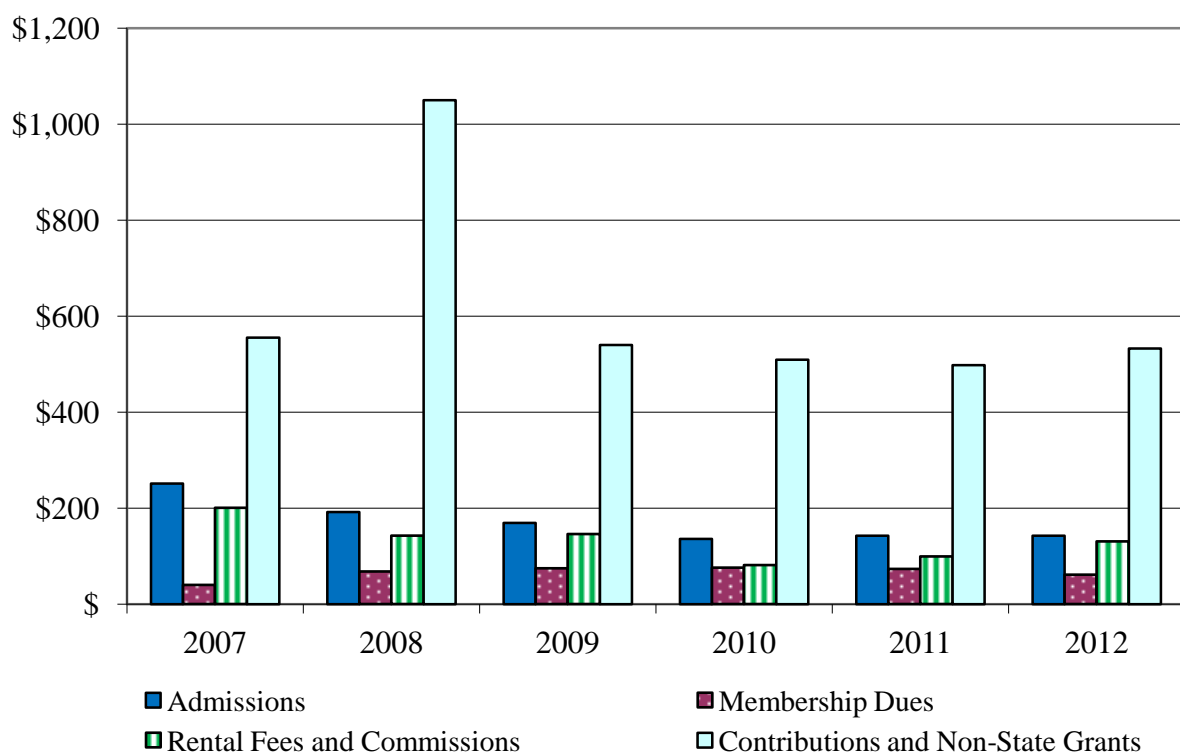
Fundraising Trends

As shown in **Exhibit 3**, the corporation relies heavily on private contributions and non-State grants. These contributions take many forms, most notably corporate or nonprofit sponsorships of exhibits. As such, this revenue source is highly variable. Such variability is problematic as these contributions are usually the greatest source of matching funds for the museum.

Contributions and non-State grants reached a low in fiscal 2011, falling from a high of \$1.1 million in fiscal 2008 to just under \$498,000 in fiscal 2011. This is a decline of 53%. A slight rebound occurred in fiscal 2012 (\$35,000), however, not nearly great enough to mitigate the need for additional general fund support. The same is true of the other sources of the museum's revenue – admissions, rental fees, and membership dues.

It should be noted that MAAMC may face further difficulties in fundraising with the opening of a national African American Museum in Washington DC, which is scheduled to open in 2015.

Exhibit 3
Major Sources of Private Funds
Fiscal 2007-2012
(\$ in Thousands)



Note: Does not include other sources of revenues, such as endowment income, which can sometimes be significant.

Source: Maryland African American Museum Corporation

Consultant Study

The museum recently underwent an organizational audit prepared by the DeVos Institute of Arts Management that evaluated the museum's performance and management. As a result of the audit, the museum board raised the funds necessary to allow the Institute to collaborate in-house with the museum for a six-month period (from January to June 2013). The collaboration will provide the museum with hands-on expertise in arts organization management. At the end of the collaboration period, MAAMC will begin drafting a new strategic plan.

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The museum advises that the consultant has an arts management model that focuses on the improvement of an organization's product as well as on marketing. This will have the effect of improving revenues and attendance.

The Department of Legislative Services (DLS) recommends that MAAMC comment on the trends in attendance and fundraising and on its expectations that the consultant will address those trends. Further, DLS recommends that language be added to the budget bill that withholds a portion of fiscal 2014 funds until the corporation submits a report to the budget committees on the results of the collaboration with the consultant.

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000 of this appropriation made for the purpose of providing operating support for the Maryland African American Museum Corporation may not be expended until the corporation submits a report that details the organizational and fundraising improvements that resulted from the in-house collaboration with an arts management consultant. The report shall include any changes that resulted from the collaboration that would allow the corporation to meet matching fund requirements as intended by the General Assembly. The report shall be submitted by December 1, 2013, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of the report shall not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: Consistent declines in fundraising and attendance have led to the inability of the Maryland African American Museum Corporation (MAAMC) to meet match requirements for the State's general fund support. Legislative intent is that the corporation matches each dollar of State support. The corporation is currently working with an arts management consultant to improve its performance and management structure. This language would restrict funds until the corporation submits the report on those improvements, including fundraising improvements.

Information Request

MAAMC

Due Date

Consultant report on
performance and management

December 1, 2013

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland African American Museum Corporation (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$2,000	\$0	\$0	\$0	\$2,000
Deficiency Appropriation	450	0	0	0	450
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual					
Expenditures	\$2,450	\$0	\$0	\$0	\$2,450
Fiscal 2013					
Legislative Appropriation	\$2,000	\$0	\$0	\$0	\$2,000
Budget Amendments	0	0	0	0	0
Working					
Appropriation	\$2,000	\$0	\$0	\$0	\$2,000

Note: Numbers may not sum to total due to rounding.

**Object/Fund Difference Report
Maryland African American Museum Corporation**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 2,450,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
Total Objects	\$ 2,450,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
Funds					
01 General Fund	\$ 2,450,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
Total Funds	\$ 2,450,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%

: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.